

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NEW ORLEANS, LOUISIANA**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUN 13 2012**

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PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
French Market Corporation
(A Proprietary Component Unit
of the City of New Orleans)
New Orleans, Louisiana

We have audited the accompanying financial statements of French Market Corporation (the Market), a proprietary component unit of the City of New Orleans, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Market's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Market. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the remaining fund information of the Market as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Market's basic financial statements as listed in the table of contents in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 19, 2012, on our consideration of the Market's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Paillet, Meunier and LeBlanc, LLP

Metairie, Louisiana

April 19, 2012

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FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

French Market Corporation (the Market), a proprietary component unit of the City of New Orleans management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the Market's financial activity, and identify changes in the Market's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2011.

As required in GASB 34, the financial report is presented in the following order:

Management's Discussion and Analysis

Basic Financial Statements

Statement of Net Assets

Statement of Revenues, Expenditures and Changes in Net Assets

Statement of Cash Flow

Notes to the Financial Statements

Other Required Supplementary Information

Required Supplementary Information

OVERVIEW OF THE FINANCIAL STATEMENTS

The Market's financial statements comprise the basic financial statements and the notes to the financial statements. These statements use the full accrual basis of accounting similar to private sector companies. Since the Market consists of a single enterprise fund, no fund level financial statements are shown. The basic financial statements are designed to provide readers with a broad overview of the Market's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Market's assets and liabilities, with the difference between the two reported as net assets, over time, increases or decreases in net assets may serve as a useful indicator of whether the financial positions of the Market is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities, results in increased net assets, which indicates an improved financial position.

The Statement of Revenue, Expenses, and Changes in Fund Net Assets present information showing how the Market's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related-cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (i.e., earned but unused vacation leave).

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

FINANCIAL ANALYSIS OF THE MARKET

The Market's total assets for 2011 increased by \$1,660,683 as a result of increases to cash and cash equivalents and accounts receivable. The total liabilities increased in 2011 by \$1,109,546 primarily due to increases in amounts owed to city agencies. As a result, the Market's assets exceeded liabilities by \$15,332,855 at the end of 2011. There was an increase of \$551,137 from the previous year.

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets	\$ 712,163	\$ 680,135
Noncurrent assets	<u>21,253,791</u>	<u>19,625,136</u>
Total assets	<u>21,965,954</u>	<u>20,305,271</u>
 LIABILITIES		
Current liabilities	2,096,821	787,060
Noncurrent liabilities	<u>4,536,278</u>	<u>4,736,493</u>
Total liabilities	<u>6,633,099</u>	<u>5,523,553</u>
 Total Assets less Liabilities	<u>\$15,332,855</u>	<u>\$14,781,718</u>
 NET ASSETS		
Invested in capital assets	\$ 9,870,372	\$10,412,734
Restricted for revenue bond debt service	571,754	573,015
Unrestricted	<u>4,890,729</u>	<u>3,795,969</u>
Total net assets	<u>\$15,332,855</u>	<u>\$14,781,718</u>

CAPITAL ASSETS

The Market's investment in capital assets amounts to \$14,271,623, net of accumulated depreciation, as of December 31, 2011, which is a decrease of \$702,920 as compared to 2010. Capital assets include land, buildings and improvements, furniture, fixtures, and equipment. The Market uses these capital assets to provide its primary revenue source and consequently these assets are not available to liquidate liabilities or other spending.

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 28,341,700	\$28,268,600
Less: accumulated depreciation	<u>14,070,077</u>	<u>13,294,057</u>
 Net capital assets	<u>\$ 14,271,623</u>	<u>\$14,974,543</u>

Depreciation expense for the year is \$938,201.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

DEBT ADMINISTRATION

On August 3, 2006, the Market issued a drawdown bond, Taxable Revenue Bond Series 2005 A, for a principal amount of not exceeding \$5,000,000. The Series 2005 A bond is for the acquisition and construction of improvements to the Market's Farmers' Market and Flea Market Sheds 1 and 2, pedestrian crossing reconfiguration, installation of historic and directional signage, improvements, flood wall opening enhancements and other capital improvements. At December 31, 2011, the drawdown bond outstanding totaled \$4,401,251.

NET ASSETS

As indicated below, total net assets are \$15,332,855. Net assets can be separated into three categories: invested in capital assets, net of related debt, Restricted for revenue bond service, and unrestricted net assets. The largest portion of the Market's net assets reflects its investments in capital assets (i.e., buildings and improvements) less any related debt used to improve those assets that are still outstanding.

	<u>2011</u>	<u>2010</u>
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 9,870,372	\$10,412,734
Restricted for revenue bond service	571,754	573,015
Unrestricted	<u>4,890,729</u>	<u>3,795,969</u>
TOTAL NET ASSETS	<u>\$ 15,332,855</u>	<u>\$14,781,718</u>

Net assets invested in capital assets are a combination of capital assets at original cost less accumulated depreciation and less any related debt. The original cost of capital assets is \$28,341,700, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition, \$14,070,077. In accordance with accounting principles generally accepted in the United States of America, depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. The related debt is the revenue bond debt service. These amounts are restricted because of certain bond covenants and are required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt. As of and for the year ended December 31, 2011, the related debt was \$4,401,251.

Net Assets restricted for revenue bond service are a combination of the Debt Service Fund, \$71,722 and the Debt Service Reserve Fund \$500,032. These amounts are maintained by the bondholder and were established in case the company is unable to make their payments.

The remaining unrestricted net assets are \$4,890,729. The unrestricted net assets are an accumulation of prior years' operating results and a Capital Improvement Fund established for future capital improvement projects that may arise.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

RESULTS OF OPERATIONS

The Market's total net assets increased by \$551,137 over the course of the year's operations primarily due to an increase in operating revenues. Total operating revenues increased by \$925,588 or 13.6% from the previous year. This resulted primarily due to a gradual reduction in the discount of tenant rents through the beginning portion of the year.

	2011	2010
Operating revenues	\$ 7,737,345	\$ 6,811,757
Operating expenses	<u>5,801,138</u>	<u>5,537,378</u>
Operating Income	1,936,207	1,274,379
Non-operating expenses	<u>(285,070)</u>	<u>(286,102)</u>
Income before transfer out	1,651,137	988,277
Transfer out	<u>(1,100,000)</u>	<u>(100,000)</u>
Increase (decrease) in net assets	<u>\$ 551,137</u>	<u>\$ 888,277</u>

Operating expenses were \$263,760 higher than 2010 due primarily to increases in various office expenses.

ORIGINAL VS. REVISED BUDGET

The Market adopts an annual operating budget and a five-year capital budget. The operating budget includes proposed expenses and the means of financing them. The operating budget remains in effect throughout the year. The capital budget includes major building repairs and renovations, vehicle purchases, equipment replacements, painting of buildings, and landscape improvements.

REVENUE BUDGET

The Market's actual general fund revenues of \$7,737,345 were greater than the budget by \$970,475, a variance of approximately 12.5%.

EXPENDITURE BUDGET

The Market's actual general fund expenditures of \$6,404,398 were lower than the budget by \$362,472, a variance of approximately 5.7%.

CONTACTING THE FRENCH MARKET CORPORATION FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Market's finances and demonstrate the Market's accountability for money it receives. If you have questions about this report or need additional information, contact Mr. Frank A. Pizzolato, J.D., Executive Director, at 1008 N. Peters St., New Orleans, LA 70116.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF NET ASSETS
DECEMBER 31,

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 126,125	\$ 152,263
Accounts receivables	488,631	441,436
Prepaid expenses	<u>97,407</u>	<u>86,436</u>
Total Current Assets	<u>712,163</u>	<u>680,135</u>
Noncurrent Assets		
Restricted cash and cash equivalents	6,890,794	4,584,056
Capital assets, net of accumulated depreciation	14,271,623	14,974,543
Other assets	<u>91,374</u>	<u>66,537</u>
Total Noncurrent Assets	<u>21,253,791</u>	<u>19,625,136</u>
TOTAL ASSETS	<u>21,965,954</u>	<u>20,305,271</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	178,974	51,072
Accrued interest expense	63,357	48,927
Rental deposits	153,417	147,432
Due to city agencies-net	1,494,458	348,516
Deferred revenues	36,887	31,361
Revenue bonds payable	<u>169,728</u>	<u>159,752</u>
Total Current Liabilities	<u>2,096,821</u>	<u>787,060</u>
Noncurrent Liabilities:		
Accrued compensated absences	304,755	334,436
Revenue bonds payable	<u>4,231,523</u>	<u>4,402,057</u>
Total Noncurrent Liabilities	<u>4,536,278</u>	<u>4,736,493</u>
TOTAL LIABILITIES	<u>6,633,099</u>	<u>5,523,553</u>
TOTAL ASSETS LESS TOTAL LIABILITIES	<u>\$15,332,855</u>	<u>\$14,781,718</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 9,870,372	\$10,412,734
Restricted for revenue bond service	571,754	573,015
Unrestricted	<u>4,890,729</u>	<u>3,795,969</u>
Total Net Assets	<u>\$15,332,855</u>	<u>\$14,781,718</u>

The notes to the financial statements are an integral part of this statement.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Rental income, net	\$ 7,358,398	\$ 6,377,798
Other income	<u>378,947</u>	<u>433,959</u>
Total operating revenues	<u>7,737,345</u>	<u>6,811,757</u>
Operating expenses:		
General and administrative	1,214,799	1,063,916
Shopping Center	1,365,836	1,281,695
Farmers/Flea market	705,363	779,061
Parking lots	1,028,239	859,644
Advertisement	510,449	577,561
Washington Artillery Park	34,084	37,037
Depreciation and Amortization	<u>942,368</u>	<u>938,464</u>
Total Operating Expenses	<u>5,801,138</u>	<u>5,537,378</u>
Operating income	<u>1,936,207</u>	<u>1,274,379</u>
Non-operating revenues/ (expenses):		
Interest income	2,930	1,898
Bond interest	<u>(288,000)</u>	<u>(288,000)</u>
Total non-operating expenses	<u>(285,070)</u>	<u>(286,102)</u>
Income before transfer out	1,651,137	988,277
Transfer out	<u>(1,100,000)</u>	<u>(100,000)</u>
Changes in Net Assets	551,137	888,277
Net assets - December 31, 2010, as restated	<u>14,781,718</u>	<u>13,893,441</u>
Net assets - December 31, 2011	<u>\$ 15,332,855</u>	<u>\$ 14,781,718</u>

The notes to the financial statements are an integral part of this statement.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Received from tenants	\$ 7,297,877	\$ 6,345,001
Received from others	378,947	433,959
Paid to suppliers for goods and services	(1,968,607)	(2,862,138)
Paid to employees for services	<u>(1,808,889)</u>	<u>(1,705,627)</u>
Net cash provided by operating activities	<u>3,899,328</u>	<u>2,211,195</u>
Cash Flows from Noncapital Financial Activities:		
Operating transfer out	<u>(1,100,000)</u>	<u>(100,000)</u>
Capital used in noncapital financing activities	<u>(1,100,000)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities:		
Interest paid on bonds	(288,000)	(288,000)
Principal payments on bond	(160,558)	(150,380)
Payments for capital acquisitions	<u>(73,100)</u>	<u>(148,322)</u>
Capital used in capital and related financing activities	<u>(521,658)</u>	<u>(586,702)</u>
Cash Flows from Investing Activities:		
Interest on Investments	<u>2,930</u>	<u>1,898</u>
Cash provided by investing activities	<u>2,930</u>	<u>1,898</u>
Net increase in cash and cash equivalents	2,280,600	1,526,391
Cash and cash equivalents - December 31, 2010	<u>4,736,319</u>	<u>3,209,928</u>
Cash and cash equivalents - December 31, 2011	<u>\$ 7,016,919</u>	<u>\$ 4,736,319</u>
Reconciliation to Statements of Net Assets:		
Cash and cash equivalents - current assets	\$ 126,125	\$ 152,263
Restricted cash and cash equivalents	<u>6,890,794</u>	<u>4,584,056</u>
Total Cash and Cash Equivalents	<u>\$ 7,016,919</u>	<u>\$ 4,736,319</u>

The notes to the financial statements are an integral part of this statement.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF CASH FLOWS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating income	\$ 1,936,207	\$ 1,274,379
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	776,020	934,870
Changes in assets and liabilities:		
(Increase) in receivables	(47,195)	(50,982)
(Increase) Decrease in prepaid expenses	(10,971)	28,206
(Increase) Decrease in other assets	(24,837)	9,352
Increase (Decrease) in accounts payable and accrued expenses	112,651	(24,134)
Increase in due to city agencies	1,145,942	38,231
Increase in tenant rental deposits	5,985	4,959
Increase in deferred revenues	5,526	3,874
(Decrease) in other liabilities	-	(7,560)
Net cash provided by operating activities	<u>\$ 3,899,328</u>	<u>\$ 2,211,195</u>

The notes to the financial statements are an integral part of this statement.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

INTRODUCTION

The French Market Corporation (the Market) was formed January 1, 1972, by the City of New Orleans to preserve, restore, and develop the French Market Properties owned by the City of New Orleans. These properties include five buildings and the Farmers Market. The Market is a non-profit corporation that is owned by the City of New Orleans and administered by a Board of Directors consisting of twelve members appointed by the Mayor of the City of New Orleans.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the Market have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*.

In addition, the Market has also adopted the provisions of Governmental Accounting Standards Board Statement 33, *Accounting and Financial Reporting for Non-exchange Transactions*. This statement requires that capital contributions to the Market be presented as a change in net assets.

B. REPORTING ENTITY

As the governing authority of the Parish, for reporting purposes, the City of New Orleans is the financial reporting entity. The financial reporting entity consists of (a) the primary government (the City of New Orleans), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, *the Financial Reporting Entity*, established criteria for determining which component units should be considered part of the City of New Orleans for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the primary government to impose its will on that organization and/or;
 - b. the potential to provide specific financial benefits to or impose specific financial burdens on that organization.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. REPORTING ENTITY (continued)

2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization was not included.

Based on the above criteria, the Market is considered to be a component unit of the City of New Orleans, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Market and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. INCOME TAXES

The Market is owned by the City of New Orleans, and as such, no federal or state income taxes are assessed.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The term measurement focus is used to denote what is being measured and reported in the Market's operating statement. The Market is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Market is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Market's operating statement. The Market used the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Market has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Governmental Accounting Standards Board.

The Market follows the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis -for State and Local Governments*, Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at yearend, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

E. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in non-interest-bearing demand deposits. Cash equivalents include short-term, highly liquid U.S. Treasury securities money market funds with original maturities of 90 days or less. Under state law, the Market may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

G. ACCOUNTS RECEIVABLE

It is the practice of management to provide an allowance for any account which in management's opinion may not be collectible based upon a review of the current status of existing receivables. Management believes that all receivables are collectible at December 31, 2011, and 2010; therefore, the financial statements do not include estimates for allowance for doubtful accounts.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. ANNUAL AND SICK LEAVE

All full-time classified employees of the Market hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 can accrue a maximum of 45 days of annual leave and an unlimited number of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued sick leave to additional years of service.

I. BUDGETS

The proposed budget, which is prepared on the modified accrual basis of accounting, must be approved by the City Council of the City of New Orleans. The budget is legally adopted and amended, as necessary, by the Market. All appropriations lapse at year-end. The amounts budgeted represent cash transactions, which are processed by the City of New Orleans, and are not included in the accompanying financial statements. Budget amounts included in the accompanying budgetary comparison schedule included the original adopted budget.

J. CAPITAL IMPROVEMENT PLAN

The Market has a five-year capital improvement plan that includes various projects in several departments/units of the Market. Projects include, but are not limited to, purchasing additional security equipment, painting, plumbing, and certain major building repairs.

K. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. In situations involving the construction of certain assets financed with the proceeds from borrowings, the interest is capitalized. For the year ended December 31, 2011, and 2010, no such interest was capitalized. Depreciation of capital assets is computed as follows:

Description	Method	Estimated Life (years)
Building and improvements	Straight-line	10-50
Furniture and equipment	Straight-line	5-10
Vehicles	Straight-line	5

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. RESTRICTED NET ASSETS

The Market, because of certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt. The net assets are reported as restricted when constraints placed on net asset use are either:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. imposed by law through constitutional provisions or enabling legislation.

M. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all significant financial instrument amounts have been determined by the Market using available market information and appropriate valuation methodologies. The Market considers the carrying value amounts of cash and cash equivalents, receivables, prepaid items and bonds and other payables to approximate market value.

2. CASH AND EQUIVALENTS

At December 31, 2011, and 2010, the Market has cash and cash equivalents (book balances) totaling \$7,016,919 and \$4,736,319 as follows:

Non-interest-bearing demand deposits	\$ 126,125	\$ 152,263
U.S. Treasury securities money market funds with		
financial institutions - restricted assets	<u>6,890,794</u>	<u>4,584,056</u>
Total	<u>\$ 7,016,919</u>	<u>\$ 4,736,319</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The Market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. These deposits are entirely covered by federal deposit insurance.

Custodial credit risk is the risk that, in event of a failure of financial institution or counterparts, the Market would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party. The Market's deposits are not subject to custodial credit risk. Cash equivalents consisting of U.S. Treasury Securities and money market funds are not subject to custodial credit risk.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

3. CAPITAL ASSETS

Capital assets and depreciation as of and for the years ended December 31, 2011 and 2010, follow:

Government Activities	December 31, 2009	Additions/ (Transfers)	December 31, 2010	Additions/ (Transfers)	December 31, 2011
Land-Elysian Fields	\$ 99,917	\$ -	\$ 99,917	\$ -	\$ 99,917
Buildings and improvements	13,194,406	134,865	13,329,271	98,594	13,427,865
Farmers/Flea Market renovations	9,347,962	-	9,347,962	-	9,347,962
Furniture and equipment	1,149,663	13,457	1,163,120	63,058	1,226,178
Alley and Moonwalk improvements	2,222,039	-	2,222,039	(4,408)	2,217,631
Parking lots	1,420,520	-	1,420,520	27,643	1,448,163
Ursuline Floodwall Gate	472,398	-	472,398	-	472,398
Vehicles	213,373	-	213,373	(111,787)	101,586
Sub-total	28,120,278	148,322	28,268,600	73,100	28,341,700
Less accumulated depreciation:	12,359,188	934,869	13,294,057	776,020	14,070,077
Capital assets, net	\$ 15,761,090	\$ (786,547)	\$ 14,974,543	\$ (702,920)	\$ 14,271,623
Depreciation Expense		\$ 934,869			\$ 938,201

4. REVENUE BOND PAYABLE

On August 3, 2006, the Market issued Taxable Revenue Bonds Series 2005 A, drawdown bond, for a principal amount of not exceeding \$5,000,000. The bonds mature on May 1, 2025. The drawdown bond is for the acquisition and construction of improvements to the Market's Farmers' Market and Flea Market Sheds 1 and 2, pedestrian crossing reconfiguration, installation of historic and directional signage, improvements, flood wall opening enhancements and other capital improvements. The original date of the issue was August 6, 2006 and the maturity date of the issue is May 1, 2025. Principal payments and Interest payments on the bonds are payable semi-annually on November 1 and May 1, commencing on November 1, 2006. The interest rate is fixed at 6.15% per annum.

As of December 31, 2011, annual debt service requirements of the revenue bonds to maturity follow:

Year	Principal	Interest	Total
2012	\$ 169,728	\$ 268,156	\$ 437,884
2013	180,327	257,557	437,884
2014	191,587	246,297	437,884
2015	203,551	234,333	437,884
2016 and thereafter	3,656,058	1,598,555	5,254,613
	4,401,251	\$ 2,604,898	\$ 7,006,149
Less: Current Portion	169,728		
	<u>\$ 4,231,523</u>		

The current portion as of December 31, 2010 was \$159,752.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

4. REVENUE BOND PAYABLE (continued)

Bond Issue Cost

As a result of the Revenue Bond, the Market incurred \$83,344 in legal fees. These fees are to be amortized over the duration of the outstanding bond. As of December 31, 2011 and 2010, the carrying value of the Deferred Bond Issue Costs are as followed:

	December 31, 2009	Additions/ (Transfers)	December 31, 2010	Additions/ (Transfers)	December 31, 2011
Deferred Bond Issue Cost	\$ 71,894	\$ -	\$ 71,894	\$ 11,450	\$ 83,344
Accumulated Amortization	13,197	3,595	16,792	4,167	20,959
Carrying Costs	<u>\$ 58,697</u>	<u>\$ (3,595)</u>	<u>\$ 55,102</u>	<u>\$ 7,283</u>	<u>\$ 62,385</u>

5. BOND COVENANTS

As of December 31, 2011 and 2010, the Market was in compliance with requirements for the revenue bond covenants.

6. MINIMUM FUTURE RENTALS

The Market has entered into rental agreements which require the tenant to pay the Market minimum monthly rental payments plus contingent rentals. These operating leases expire in various years through the year 2020.

Minimum future rentals to be received under the various operating leases as of December 31, 2011 for each of the next five (5) years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$ 1,526,815
2013	1,277,584
2014	905,601
2015	437,212
2016	393,648
Total	<u>\$ 4,540,860</u>

7. LEASES

The Market leases office equipment on a month to month basis.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

8. PENSION PLAN

During 1997, clerical and administrative employees of the Market, who were not already receiving benefits from any of the other retirement plans sponsored by the City of New Orleans, became members of the Employees' Retirement System of the City of New Orleans (the Retirement System). The City Charter provided that the Retirement Ordinance (Chapter 114 of the Code) continues to govern and control the Retirement System under the management of a board of trustee. The Retirement System is a combination Defined Benefit and Defined Contribution Pension plan established under the laws of the State of Louisiana. The general administration has the responsibility for the proper operation of the Retirement System and for making effective the Retirement System. The Employees' Retirement System of the City of New Orleans issues a publicly available financial report that includes financial statements and required supplementary information.

For the fiscal year, employees participating in the Retirement System are required to contribute 4% of their salary in excess of \$1,200 per year, and the employer is required to contribute 14.9%. Employer contributions to the Retirement System are based upon the amount necessary to fund normal cost and amortization of past service costs over a period of thirty years beginning July 1, 1974, using the level percentage of payroll method. The contribution requirements of Retirement System members and the Market are established and may be amended by the Retirement System's board of trustees. As of December 31, 2011 the employees contributed \$42,929 and the Market contributed \$221,949; and as of December 31, 2010 the employees contributed \$39,631 and the Market contributed \$147,625. However, the Market does not guarantee any of the benefits granted by the plan.

Employees with thirty years of service, or who attain age 60 with ten years of service, or age 65, irrespective of length of service, are entitled to a retirement allowance. The retirement allowance consists of an annuity, which is the actuarial equivalent of the employee's accumulated contribution, plus an annual pension, which, together with the annuity, provides a total retirement allowance equal to 2.5% to 4% of average compensation times the number of years of service. The maximum pension may not exceed 100% of average compensation. Pension amounts are reduced for service retirement prior to age 62. Average compensation is defined as average annual earned compensation for the highest thirty-six successive months of service, less \$1,200. Mandatory retirement age is 70.

Disability Benefits

Disability benefits are awarded to active members with 10 or more years of creditable service if a physician nominated by the board certifies that the member is totally incapacitated and that such incapacitation is likely to be permanent. The member receives an annuity, which is the actuarial equivalent to the employee's accumulated contribution, plus an annual pension, which, together with the annuity, shall be 75% of the service allowance that would have been payable upon service retirement at age 65, had the member continued in service to the age of 65. Such allowance is to be computed on the average compensation, plus the sum \$1,200 provided, however, that the minimum annual retirement allowance will be \$300 per year.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

9. TRANSACTIONS WITH RELATED PARTIES

City of New Orleans

The Market is a non-profit corporation that is owned by the City of New Orleans and administered by a Board of Directors consisting of twelve members appointed by the Mayor of the City of New Orleans. As a result, they have various transactions pertaining to payroll and related expenses, and their annual lease. For the year ended December 31, 2011 and 2010, the Market had incurred the following expenses on behalf of the managed companies, with the following amounts unpaid as of that date:

	December 31, 2010		December 31, 2011	
	Expenses Incurred	Accounts Payable	Expenses Incurred	Accounts Payable
Salaries	\$ 1,273,907	\$ 200,233	\$ 1,216,209	\$ 275,987
Payroll Taxes and Benefits	431,719	48,283	592,680	118,471
Annual Lease	100,000	100,000	1,100,000	1,100,000
Totals	<u>\$ 1,805,626</u>	<u>\$ 348,516</u>	<u>\$ 2,908,889</u>	<u>\$ 1,494,458</u>

Upper Pontalba Building Restoration Corporation

The Upper Pontalba is a non-profit corporation administered by a Board of Directors consisting of seven members that are appointed by the sole stockholder, the Mayor of the City of New Orleans. The Market is the management company for the Upper Pontalba; as a result, they maintain their payroll, through the city, and receive an annual fee for their services. As of December 31, 2011, the Market had incurred the following expenses, with the following amounts unpaid as of that date:

	Incurring Costs	Fees	Accounts Receivable
Salary and Related Expenses	\$ 188,095	\$ -	\$ 54,597
Management Fee	-	50,000	12,500
Totals	<u>\$ 188,095</u>	<u>\$ 50,000</u>	<u>\$ 67,097</u>

As of December 31, 2010, the Market had incurred the following expenses, with the following amounts unpaid as of that date:

	Incurring Costs	Fees	Accounts Receivable
Salary and Related Expenses	\$ 138,836	\$ -	\$ 34,161
Management Fee	-	50,000	12,500
Totals	<u>\$ 138,836</u>	<u>\$ 50,000</u>	<u>\$ 46,661</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

10. CONTINGENCIES

The Market is a defendant in various lawsuits filed for alleged breaches and unspecified damages. Outside counsels for the Market have advised that at this stage in the proceedings they cannot offer opinions as to the probable outcomes of these lawsuits. The Market believes the suits are without merit and is vigorously defending its positions.

11. RISK MANAGEMENT

The Market is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which the Market carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

12. NET ASSETS

Net Assets are restricted for the following reasons:

Invested in capital assets, net of related debt:

	2011	2010
Capital Assets	\$ 28,341,700	\$ 28,268,600
Less:		
Accumulated Depreciation	14,070,077	13,294,057
Debt related to Capital Assets	4,401,251	4,561,809
Invested in capital assets, net of related debt	<u>\$ 9,870,372</u>	<u>\$ 10,412,734</u>

Restricted for revenue bond service:

	2011	2010
Debt Service Fund	\$ 71,722	\$ 72,981
Debt Service Reserve Fund	500,032	500,034
Restricted for revenue bond service	<u>\$ 571,754</u>	<u>\$ 573,015</u>

Unrestricted net assets consisted of the following:

	2011	2010
Designated for capital projects	\$ 4,079,832	\$ 2,107,423
Undesignated	810,897	1,688,546
Total Unrestricted	<u>\$ 4,890,729</u>	<u>\$ 3,795,969</u>

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

13. SUBSEQUENT EVENTS

FASB Accounting Standards Codification Topic 855, "Subsequent Events" addresses events which occur after the balance sheet date but before the issuance of financial statements. An entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date. Additionally, Topic 855 requires disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. Management evaluated the activity of the French Market Corporation through April 19, 2012, the date the financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual GAAP BASIS	Variance With Final Budget Positive (Negative)
Total Salaries and Related Expenses	\$ 2,200,000	\$ 1,808,889	\$ (391,111)
Total Operating Expenditures	3,026,000	3,049,881	23,881
Other Expenditures	<u>1,540,870</u>	<u>1,545,628</u>	<u>4,758</u>
Total Expenditures	<u>\$ 6,766,870</u>	<u>\$ 6,404,398</u>	<u>\$ (362,472)</u>
Revenues	<u>\$ 6,766,870</u>	<u>\$ 7,737,345</u>	<u>\$ 970,475</u>
Total Revenues	<u>\$ 6,766,870</u>	<u>\$ 7,737,345</u>	<u>\$ 970,475</u>

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

French Market Corporation
(A Proprietary Component Unit
of the City of New Orleans)
New Orleans, Louisiana

We have audited the financial statements of French Market Corporation (the Market) of and for the year ended December 31, 2011, and have issued our report thereon dated April 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Market's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Market's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of the Market, its management, the City of New Orleans, and the State of Louisiana, Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Paillet, Meunier and LeBlanc, LLP

Metairie, Louisiana
April 19, 2012

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION I – SUMMARY OF AUDITOR'S RESULTS

- A. Control deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements: No. Material weaknesses: No.
- B. Noncompliance which is material to the financial statements: No
- C. Control deficiencies in internal control over major programs: N/A.
Material weaknesses: N/A.
- D. The type of report issued on compliance for major programs: N/A.
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: N/ A
- F. Major programs: N/A.
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A.
- I. A management letter was issued: No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

FRENCH MARKET CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

SECTION I – INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS

10-01 Former Executive Director

The former executive director for the Market resigned at the request of the agency's board after complaints from board members about his management style. In addition, as a result of several thousand dollars in questionable credit card charges, the mayor requested that the Inspector General review the "questionable expenses" and "questionable practices".

Current Status - Resolved. The investigation by the Inspector General was completed and they issued their final report on April 29, 2011. The Market has reviewed the report and amended their procedures accordingly.